State of Arizona House of Representatives Forty-fifth Legislature First Regular Session 2001

CHAPTER 305

#### **HOUSE BILL 2389**

#### AN ACT

AMENDING SECTIONS 16-902.01, 16-903, 16-912 AND 16-914.01, ARIZONA REVISED STATUTES; TRANSFERRING AND RENUMBERING SECTION 19-128, ARIZONA REVISED STATUTES, FOR PLACEMENT IN TITLE 16, CHAPTER 6, ARTICLE 1, AS SECTION 16-912.01; AMENDING SECTIONS 16-912.01 AND 16-920, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED BY THIS ACT; RELATING TO CAMPAIGN CONTRIBUTIONS AND EXPENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 16-902.01, Arizona Revised Statutes, is amended to read:

## 16-902.01. Registration of political committees: contents: amendment

- A. Each political committee THAT INTENDS TO ACCEPT CONTRIBUTIONS OR MAKE EXPENDITURES OF MORE THAN FIVE HUNDRED DOLLARS shall file a statement of organization with the filing officer no later than ten days after designation pursuant to section 16-903 in the case of a candidate's campaign committee or an exploratory committee, and no later than ten days after becoming a political committee in the case of all other political committees BEFORE ACCEPTING CONTRIBUTIONS, MAKING EXPENDITURES, DISTRIBUTING ANY CAMPAIGN LITERATURE OR CIRCULATING PETITIONS. EACH POLITICAL COMMITTEE THAT INTENDS TO ACCEPT CONTRIBUTIONS OR MAKE EXPENDITURES OF FIVE HUNDRED DOLLARS OR LESS SHALL FILE A SIGNED EXEMPTION STATEMENT THAT STATES THAT INTENTION BEFORE MAKING ANY EXPENDITURES, ACCEPTING ANY CONTRIBUTIONS, DISTRIBUTING ANY CAMPAIGN LITERATURE OR CIRCULATING PETITIONS. IF A POLITICAL COMMITTEE THAT HAS FILED A FIVE HUNDRED DOLLAR EXEMPTION STATEMENT RECEIVES CONTRIBUTIONS OR MAKES EXPENDITURES OF MORE THAN FIVE HUNDRED DOLLARS, THAT POLITICAL COMMITTEE SHALL FILE A STATEMENT OF ORGANIZATION WITH THE FILING OFFICER WITHIN FIVE BUSINESS DAYS AFTER EXCEEDING THE FIVE HUNDRED DOLLAR LIMIT.
- B. The statement of organization of a political committee shall include all of the following:
  - The name, address and type of committee.
- 2. The name, address, relationship and type of any sponsoring organization.
- 3. The names, addresses, telephone numbers, occupations and employers of the chairman and treasurer of the committee.
- 4. In the case of a candidate's campaign committee, the name, address, office sought and party affiliation of the candidate.
- 5. A listing of all banks, safety deposit boxes or other depositories used by the committee.
- C. Except as prescribed by subsection E of this section, on the filing of a statement of organization, a political committee shall be issued an identification number.
- D. The political committee shall file an amended statement of organization reporting any change in the information prescribed in subsection B of this section within ten FIVE BUSINESS days after the change.
- E. A standing political committee shall file a statement of organization with the secretary of state and in each jurisdiction in which the committee is active, and only the secretary of state shall issue an identification number for the committee. The statement of organization shall include a statement with the notarized signature of the chairman or treasurer of the standing political committee that declares the committee's status as

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 a standing political committee. The secretary of state may charge an annual fee for the filing.

Sec. 2. Section 16-903, Arizona Revised Statutes, is amended to read: 16-903. Candidate's campaign committees; exploratory committees; designation; candidate as agent; civil penalty

- Each candidate who receives INTENDS TO RECEIVE contributions or makes MAKE expenditures of more than five hundred dollars in connection with a campaign for that office shall designate in writing a political committee for each election to serve as the candidate's campaign committee. The candidate shall make the designation pursuant to this subsection no later than ten days after receiving such contributions or making such expenditures BY FILING A STATEMENT OF ORGANIZATION BEFORE MAKING ANY EXPENDITURES. ACCEPTING ANY CONTRIBUTIONS, DISTRIBUTING ANY CAMPAIGN LITERATURE OR Each candidate who intends to receive CIRCULATING ANY PETITIONS. contributions or make expenditures of five hundred dollars or less shall file a signed EXEMPTION statement that states that intention BEFORE MAKING ANY EXPENDITURES, ACCEPTING ANY CONTRIBUTIONS, DISTRIBUTING ANY CAMPAIGN LITERATURE OR CIRCULATING PETITIONS. If a candidate WHO HAS FILED A FIVE HUNDRED DOLLAR EXEMPTION STATEMENT receives contributions or makes expenditures of more than five hundred dollars, that candidate shall file a statement of organization with the filing officer within three FIVE business days after the candidate exceeds EXCEEDING the five hundred dollar limit.
- B. An individual who receives contributions or makes expenditures of more than five hundred dollars for the purpose of determining whether the individual will become a candidate for election to an office in this state shall designate in writing a political committee to serve as the individual's exploratory committee. The individual shall make the designation pursuant to this subsection within ten calendar days of exceeding the five hundred dollar amount BEFORE MAKING ANY EXPENDITURES, ACCEPTING ANY CONTRIBUTIONS OR DISTRIBUTING ANY CAMPAIGN LITERATURE.
- C. An individual may have only one exploratory committee in existence at one time. A candidate may have only one campaign committee designated for each election, but a candidate may have more than one campaign committee simultaneously in existence.
- D. A political committee that supports or has supported another candidate or more than one candidate may not be designated as a candidate's campaign committee.
- E. Any candidate who receives a contribution or any loan for use in connection with the campaign of that candidate for election or who makes a disbursement in connection with that campaign shall be deemed as having received the contribution or loan or as having made the disbursement as an agent of the candidate's campaign committee for purposes of this article.
- F. An elected official is not deemed to have offered himself for nomination or election to an office or to have made a formal, public

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declaration of candidacy within the meaning of section 38-296 solely by his designation of a candidate campaign committee.

- G. A person who violates this section is subject to a civil penalty imposed as prescribed in section 16-924 of UP TO three times the amount of money that has been received, expended or promised in violation of this section or UP TO three times the value in money for an equivalent of money or other things of value that have been received, expended or promised in violation of this section.
  - Sec. 3. Section 16-912, Arizona Revised Statutes, is amended to read: 16-912. Candidates and independent expenditures; campaign literature and advertisement sponsors; identification; civil penalty
- A. A political committee that makes an expenditure for campaign literature or advertisements that expressly advocate the election or defeat of any candidate or that make any solicitation of contributions to any political committee shall be registered pursuant to this chapter at the time of distribution, placement or solicitation and shall include on the literature or advertisement the following disclosure WORDS "PAID FOR BY" FOLLOWED BY THE NAME OF THE COMMITTEE THAT APPEARS ON ITS STATEMENT OF ORGANIZATION OR FIVE HUNDRED DOLLAR EXEMPTION STATEMENT.:
- 1. If authorized or paid for by a candidate, a candidate's campaign committee or an agent of either, the literature or advertisement shall clearly state that it was paid for by the candidate or the candidate's campaign committee.
- 2. If not authorized or paid for by a candidate, a candidate's campaign committee or any agent of either, the literature or advertisement shall clearly state:
- (a) The name of the political committee that paid for the literature or advertisement, the name of the chairman of the political committee and a telephone number where that individual can be contacted.
- (b) That the literature or advertisement is not authorized by any candidate or candidate's campaign committee.
- B. If the expenditure for the campaign literature or advertisements by a political committee is an independent expenditure, the political committee, in addition to the disclosures required by subsection A of this section, shall include on the literature or advertisement the names and telephone numbers of the three individuals and political committees making the largest contributions to the political committee making the independent expenditure. If an acronym is used to name any political committee outlined in this section, the name of any sponsoring organization of the political committee shall also be printed or spoken. For purposes of determining the three contributors to be disclosed, the contributions of each individual or political committee to the political committee making the independent expenditure during the one year period before the election being affected are aggregated.

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- C. The provisions of subsection A of this section do not apply to bumper stickers, pins, buttons, pens and similar small items on which the statements required in subsection A of this section cannot be conveniently printed or to signs paid for by a candidate with campaign monies or by a candidate's campaign committee or to a solicitation of contributions by a separate segregated fund from those persons it may solicit pursuant to sections 16-920 and 16-921.
- D. The disclosures required pursuant to this section shall be printed clearly and legibly in a conspicuous manner or, if the advertisement is broadcast on a telecommunications system, the disclosure shall be spoken.
- E. A person who violates this section is subject to a civil penalty of UP TO three times the cost of PRODUCING AND DISTRIBUTING the literature or advertisement. This civil penalty shall be imposed as prescribed in section 16-924.
- Sec. 4. Section 19-128, Arizona Revised Statutes, is transferred and renumbered for placement in title 16, chapter 6, article 1, Arizona Revised Statutes, as section 16-912.01 and, as so renumbered, is amended to read:

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16-912.01. <u>Ballot measure committees: campaign literature and advertising funding: identification: disclosure: civil penalty: violation: classification: definitions</u>
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- A. A political committee that makes an expenditure in connection with any literature or advertisement to support or oppose a ballot proposition shall disclose in such literature or advertisement the four largest of its major funding sources AS OF THE TIME THE LITERATURE OR ADVERTISEMENT IS PRINTED, RECORDED OR OTHERWISE PRODUCED FOR DISSEMINATION. If a political committee has fewer than four major funding sources, the committee shall disclose all major funding sources.
- B. For purposes of this section, a major funding source of a political committee is:— ANY CONTRIBUTOR, OTHER THAN AN INDIVIDUAL PERSON, THAT HAS MADE CUMULATIVE CONTRIBUTIONS OF EITHER:
- 1. FOR A POLITICAL SUBDIVISION WITH A POPULATION OF ONE HUNDRED THOUSAND PERSONS OR MORE, TEN THOUSAND DOLLARS OR MORE TO THE POLITICAL COMMITTEE IN SUPPORT OF OR IN OPPOSITION TO A BALLOT PROPOSITION.
- 2. FOR A POLITICAL SUBDIVISION WITH A POPULATION OF LESS THAN ONE HUNDRED THOUSAND PERSONS, FIVE THOUSAND DOLLARS OR MORE TO THE POLITICAL COMMITTEE IN SUPPORT OF OR IN OPPOSITION TO A BALLOT PROPOSITION.
- 1. An industry that is both the largest industry contributor to the committee and whose combined contributions to the committee are five hundred thousand dollars or more, or are fifty thousand dollars or more and constitute twenty-five per cent or more of all contributions, or for political subdivisions with a population of one hundred thousand or more persons, are fifty thousand dollars or more, or are five thousand dollars or more and constitute twenty-five per cent or more of all contributions, or for political subdivisions with a population of less than one hundred thousand

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persons are ten thousand dollars or more, or are one thousand dollars or more and constitute twenty-five per cent or more of all contributions.

- 2. A person whose contributions to the committee are fifty thousand dollars or more, or for political subdivisions with a population of one hundred thousand or more persons are ten thousand dollars or more, or for political subdivisions with a population of less than one hundred thousand persons are two thousand dollars or more.
- 3. Corporations as a group or unions as a group if their combined contributions to the committee are fifty thousand dollars or more, or for political subdivisions with a population of one hundred thousand or more persons are ten thousand dollars or more, or for political subdivisions with a population of less than one hundred thousand persons are two thousand dollars or more.
- 4. Out-of-state contributions as a group, if their combined contributions to the committee are fifty thousand dollars or more, or for political subdivisions with a population of one hundred thousand or more persons are ten thousand dollars or more, or for political subdivisions with a population of less than one hundred thousand persons are two thousand dollars or more.
- 5. Contributions by corporations as a group, unions as a group, industries or persons to more than one political committee in support of or opposition to the same ballot proposition if the camulative total of these contributions in support of or opposition to the ballot proposition would qualify as a major funding source if made to a single political committee.
- C. A political committee that receives at least fifteen thousand individual contributions of between five and fifty dollars each may describe these contributions as a group and disclose the group as a major funding source in addition to those funding sources required to be disclosed pursuant to this section.
- C. IF AN OUT-OF-STATE CONTRIBUTOR OR GROUP OF OUT-OF-STATE CONTRIBUTORS IS A MAJOR FUNDING SOURCE TO A POLITICAL COMMITTEE DISCLOSED PURSUANT TO SUBSECTION A, THE POLITICAL COMMITTEE SHALL STATE THE CONTRIBUTOR IS AN OUT-OF-STATE CONTRIBUTOR ON ITS LITERATURE OR ADVERTISEMENT IN SUPPORT OF OR IN OPPOSITION TO A BALLOT PROPOSITION.
- D. Corporations as a group, unions as a group, industries or persons CONTRIBUTORS that make contributions to more than one political committee that supports or opposes the same ballot proposition shall notify each political committee of the cumulative total of these contributions. Cumulative totals must be disclosed by each political committee that received contributions from the same contributor if the cumulative totals qualify as a major funding source to be disclosed pursuant to subsection A.
- E. Any disclosure statement required by this section shall be printed clearly and legibly in a conspicuous manner in type at least as large as the majority of the printed text. If the communication is broadcast on radio,

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the information shall be spoken at the end of the communication. If the communication is broadcast on a telecommunications system, the information shall be both written and spoken at the end of the communication, except that if the disclosure statement is written for at least five seconds of a thirty second advertisement broadcast or ten seconds of a sixty second advertisement broadcast, a spoken disclosure statement is not required. If the communication is broadcast on a telecommunications system, the written disclosure statement shall be printed in letters equal to or larger than four per cent of the vertical picture height.

- F. Subsection A does not apply to bumper stickers, pins, buttons, pens and similar small items on which the statements required in subsection A cannot be conveniently printed or to a communication by an organization solely to its members.
- G. A committee shall change future literature and advertisements to reflect any change in funding sources that must be disclosed pursuant to subsection A.
- H. This section only applies to advertisements the contents of which are more than fifty per cent devoted to one or more ballot propositions or proposed measures on the same subject.
- I. Any committee that violates this section is liable in a civil action brought by the attorney general, county attorney or city or town attorney, as appropriate, or by any other person for a civil penalty of three times the total cost of the advertisement, except that a committee is not liable for a violation of subsection D regarding cumulative totals if its donors do not accurately disclose their donations. A donor who does not accurately disclose its contributions is liable for a civil penalty of three times the amount donated.
  - J. For purposes of this section:
- 1. "Advertisement" means general public advertising through the print and electronic media, signs, billboards and direct mail.
- 2. "Industry" means those persons who derive economic benefit from the manufacture, sale or distribution of a like or similar product, commodity or service, including professional services.
- 3. "Person" means any individual, business, public, private or professional corporation, limited liability corporation, company, partnership, limited partnership, firm, association, society or other organization or group of persons acting in concert.
- 4. "Population" means the population determined according to the most recent United States decennial census.
- Sec. 5. Section 16-914.01, Arizona Revised Statutes, is amended to read:

## 16-914.01. Reporting of contributions by committees acting on ballot measures; civil penalty; definition

A. In addition to the requirements relating to election contributions prescribed in section 16-913, a committee acting in support of or opposition

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to the qualification, passage or defeat of an initiative or referendum or any other ballot measure, question or proposition shall give notice to the secretary of state FOR STATEWIDE MEASURES AND THE LOCAL FILING OFFICER WHO IS RESPONSIBLE FOR RECEIVING CAMPAIGN FINANCE REPORTS FOR FILING FOR NONSTATEWIDE MEASURES of any contribution or group of contributions to the committee that is made from a single source less than twenty days before the day of the election if it exceeds:

- 1. A cumulative total of ten thousand dollars for a statewide ballot measure, question or proposition.
- 2. Two thousand five hundred dollars for a nonstatewide ballot measure, question or proposition in a political subdivision with a population of one hundred thousand or more persons.
- 3. Five hundred dollars for a nonstatewide ballot measure, question or proposition in a political subdivision with a population of less than one hundred thousand persons.
- B. In addition to the requirements of section 16-913, a committee acting in support of or opposition to the qualification, passage or defeat of an initiative or referendum or any other ballot measure, question or proposition shall give notice to the secretary of state of either of FOR STATEWIDE MEASURES AND THE LOCAL FILING OFFICER WHO IS RESPONSIBLE FOR RECEIVING CAMPAIGN FINANCE REPORTS FOR FILING FOR NONSTATEWIDE MEASURES THE FIRST TIME EACH OF the following OCCURS:
- 1. The first contribution or expenditure of THE COMMITTEE HAS RECEIVED CONTRIBUTIONS TOTALING ten thousand dollars or more by the committee.
- 2. Receipt of cumulative contributions of THE COMMITTEE HAS MADE EXPENDITURES TOTALING ten thousand dollars or more from a single source.
- 3. THE COMMITTEE HAS RECEIVED CONTRIBUTIONS TOTALING TEN THOUSAND DOLLARS OR MORE FROM A SINGLE SOURCE.
- 4. THE COMMITTEE HAS RECEIVED CONTRIBUTIONS TOTALING TEN THOUSAND DOLLARS OR MORE FROM DIFFERENT ADDITIONAL SINGLE SOURCES.
- C. Except for a notice prescribed by subsection 8, paragraph 1 of this section. The notice NOTICES prescribed by subsections A and 8 of this section shall be filed within twenty-four hours, excluding Saturdays, Sundays and other legal holidays, after the contribution is received TEN THOUSAND DOLLAR AMOUNT HAS BEEN REACHED and shall include the identification of the contributor CONTRIBUTORS, the date DATES of receipt and the amount AMOUNTS of the contribution CONTRIBUTIONS OR THE AMOUNT, RECIPIENT AND PURPOSE OF THE EXPENDITURES. Contributions subject to the notification requirements of this section shall be included in the next report filed pursuant to section 16-913. The notice required for a contribution or expenditure prescribed by subsection 8, paragraph 1 of this section shall be filed within ten days after the receipt of the contribution or the making of the expenditure.

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- D. A political committee that violates this section and a person who knowingly violates this section are liable in a civil action for a civil penalty of up to three times the amount improperly reported as prescribed by section 16-924.
- E. For the purposes of this section, "single source" includes principals of the same partnership, corporation, limited partnership, limited liability company, limited liability partnership or association.
  - Sec. 6. Section 16-920, Arizona Revised Statutes, is amended to read: 16-920. Permitted expenditures by corporations and labor organizations
- A. Expenditures for the following purposes shall not be construed to be political contributions prohibited by law:
- 1. Communications by a corporation to its stockholders and executive or administrative personnel and their families, or by a labor organization to its members and their families, on any subject.
- 2. Nonpartisan registration and get-out-the-vote campaigns by a corporation aimed at its stockholders and executive or administrative personnel and their families or by a labor organization aimed at its members and their families.
- 3. The establishment, administration and solicitation of voluntary contributions to a separate segregated fund to be utilized for political purposes by a corporation, labor organization, membership organization, trade association, cooperative or corporation without capital stock.
- 4. THE ESTABLISHMENT, ADMINISTRATION AND SOLICITATION OF VOLUNTARY CONTRIBUTIONS FROM EMPLOYEES OF A CORPORATION OR LIMITED LIABILITY COMPANY, INCLUDING CONTRIBUTIONS MADE BY PAYROLL DEDUCTION, DEPOSIT OR TRANSFER OR OTHER SIMILAR METHOD, AND THAT ARE MADE DIRECTLY TO A SEPARATE SEGREGATED FUND THAT IS USED FOR POLITICAL PURPOSES BY A TRADE ASSOCIATION OF WHICH THE EMPLOYING CORPORATION OR LIMITED LIABILITY COMPANY IS A MEMBER. CONTRIBUTIONS RECEIVED UNDER THIS SUBSECTION SHALL BE REPORTED PURSUANT TO SECTION 16-915, SUBSECTION A, PARAGRAPH 2, SUBDIVISION (a) OR SUBSECTION E.
- 4. 5. Contributions for use to support or oppose an initiative or referendum measure or amendment to the constitution.
- B. A membership organization, trade association, cooperative or corporation without capital stock may engage in the activities permitted in paragraphs 1 and 2 of subsection A OF THIS SECTION if such activities are directed toward its members, stockholders or members of its members, its and its members' executive or administrative personnel, and their families.

APPROVED BY THE GOVERNOR MAY 1, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 1, 2001.

Passed the House Libruary, 2001,	Passed the Senate April 16, 2001
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#### EXECUTIVE DEPARTMENT OF ARIZONA OFFICE OF SECRETARY OF STATE

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